Supreme Court, U.S.
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No.

IN THE

SUPREME COURT OF THE UNITED STATES

NIKE, INC.,

Petitioner,

v.

WAL-MART STORES, INC. AND HAWE YUE, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The right to disgorge a design patent infringer's "profits" under Section 289 of the Patent Act (35 U.S.C. § 289) is a cornerstone of the nation's patent laws. In this case, the Federal Circuit narrowed that right by holding that the express limitation on the recovery of "damages" under Section 287 also limits the disgorgement of an infringer's "profits" under Section 289. The Federal Circuit recognized that its statutory interpretation "departs from the plain words of the statute"; is "anomalous"; and rests on a conclusion that "ambiguity has invaded an apparently clear text."

The question presented is:

Whether the Federal Circuit improperly departed from the admittedly "plain words" and "clear text" of Section 287 of the Patent Act, when it held that Section 287's limitation on the recovery of "damages" restricts a design patent owner's disgorgement of an infringer's "profits" under Section 289, notwithstanding the long-standing distinction in the patent laws between "damages" and "profits."

LIST OF PARTIES

All parties appear in the caption of the case on the cover page. Petitioner has no parent companies or non-wholly owned subsidiaries.

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PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully prays that a writ of certiorari issue to review the judgment below of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the Court of Appeals for the Federal Circuit is reported at 138 F.3d 1437 and is reprinted in the Appendix at App. 1. The unreported denial of the petition for rehearing and suggestion for rehearing in banc is reprinted in the Appendix at App. 38.

The opinion of the District Court for the Eastern District of Virginia is reported at 41 U.S.P.Q.2d (BNA) 1146 (E.D. Va. 1996) and is reprinted in the Appendix at App. 27.

The subsequent unpublished judgments of the District Court on remand, and the Federal Circuit, are reprinted in the Appendix at App. 39 and 43, respectively.

JURISDICTION

The Court of Appeals for the Federal Circuit affirmed the District Court's judgment after remand on March 5, 1999. The Federal Circuit had reversed and remanded the District Court's initial judgment on March 12, 1998. The jurisdiction of this Court to review the judgment of the Federal Circuit is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED[1]

35 U.S.C. § 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

* * *

35 U.S.C. § 287. Limitation on damages and other remedies; marking and notice

(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the work "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.

* * *

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[1] The full texts of these statutes are reprinted in the Appendix.

35 U.S.C. § 289. Additional remedy for infringement of design patent

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article for manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

STATEMENT OF THE CASE

This is a case of pure statutory construction, the results of which raise fundamental questions regarding the enforcement of the nation's patent laws. The Federal Circuit curtailed a design patent owner's right to disgorge an infringer's profits by holding that the limitation on the recovery of "damages" in Section 287 also restricts the disgorgement of an infringer's "profits" in Section 289. In order to do so, the Court made a shambles of statutory interpretation principles. The Federal Circuit explicitly recognized that to reach its "anomalous" conclusion it had to "depart[] from the plain words of the statute" and allow "ambiguity to invade[] an apparently clear text." App. 20, 6.

Because the Federal Circuit has nationwide exclusive jurisdiction of patent appeals, there is no possibility that any court of appeals will reach a contrary conclusion, or that the issue will "percolate" in the courts of appeals. In the absence of this Court's review, the Federal Circuit's unabashed judicial rewriting of the

patent laws, with its profound importance on the enforcement of intellectual property rights, will be the supreme law of the land. At the very least, the issue is of sufficient importance that it should be reviewed and considered by this Court.

1. Summary of the Case. This case arises out of a design patent infringement suit filed by the Petitioner, Nike, Inc. against the Respondents, Wal-Mart Stores, Inc. and Hawe Yue, Inc. in the U.S. District Court for the Eastern District of Virginia. Nike alleged that Wal-Mart and Hawe Yue were infringing Nike's design patent no. D348,765 for the ornamental design of its "Air Mada Mid" shoe. The District Court found that respondents reaped more than $6 million in "profits" from their infringement of Nike's patent, and, pursuant to Section 289, initially ordered a return of those profits to the patent owner, Nike.[2] After the Federal Circuit held that Section 287's limitation on "damages" also restricts the disgorgement of infringers' "profits" under Section 289, the District Court reduced its award to Nike on remand by more than 75% to $1.4 million.

2. Statutory Framework. The 1952 Patent Act, codified as Title 35, authorizes the United States Patent and Trademark Office to issue several types of patents. A *design* patent protects the ornamental design or "look" of articles of manufacture. In contrast, a *utility* patent protects the useful nature of inventions such as processes and machines.

Section 284 of the Patent Act permits a patent owner to recover its "damages" adequate to compensate the patent owner for the losses it suffered due to the infringement. This is a remedy for both utility and design patents.

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[2] The initial judgment is believed to be the largest design patent award in American history.

Under Section 287, the recovery of "damages" is limited if the patent owner fails to mark patented products with the patent number: "In the event of failure to so mark, *no damages* shall be recovered by the patentee in any action for infringement . . . ." (emphasis added). There is no reference to limiting the additional design patent remedy of an infringer's profit (see below) in the Section 287 limitation on "damages."

Congress specifically codified at Section 289 an "additional remedy" for infringement of a design patent, such as the one at issue in this case. Under this section, in addition to recovering its "damages," a design patentee can disgorge the "profit" of a design patent infringer.

3. District Court Proceedings. In 1996, Nike filed a patent infringement suit against respondents Wal-Mart and Hawe Yue. Nike maintained that respondents had infringed valuable intellectual property — Nike's design patent on its distinctive "Air Mada Mid" shoe (shown below) — and reaped lucrative profits from the infringement. Pursuant to Section 289 of the Patent Act, Nike sought disgorgement of the infringers' *profits*. Nike did not seek recovery of its damages under Section 284. Senior Judge Bryan first concluded that Nike's design patent was not invalid and that respondents had infringed it. Accordingly, Judge Bryan found that the only remaining issue was the remedy for respondents' infringement of Nike's patent.

Wal-Mart and Hawe Yue argued to the district court, *inter alia,* that because Nike had not marked all of the shoes covered by the patented design, it had not complied with Section 287. According to the Respondents, Section 287's express limitation on the recovery of "damages" equally applied to the disgorgement of an infringer's "profit" under Section 289. The required result, according to Wal-Mart and Hawe Yue, was to preclude Nike from disgorging their profits in the case.

Judge Bryan disagreed, emphasizing the clear distinction in the statutory text between the limitation on the recovery of "damages" in Section 287 and the absence of such a limitation on the disgorgement of an infringer's "profit" in Section 289. He explained:

> The statute that limits recovery in cases where there is no marking *refers only to damages*. Historically, of course, disgorgement, which is really what the plaintiff seeks in its action for the infringers' profits, was not considered a recovery of damages, but an equitable remedy to restore to the property owner profits made by an infringer's use of another's property.

App. 31 (emphasis added). He relied on the decisions of this Court, such as *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), that "are instructive in their reminders of the 'long-standing' and 'important' distinction in patent law between damages and profits." App. 31. He reasoned that "Congress is assumed to have meant what it said," and concluded that "the limitations imposed by Section 287(a) are not applicable to an action seeking recovery of an infringer's profits pursuant to Section 289." App. 32.

Judge Bryan found that Wal-Mart had sold more than 520,000 pairs of infringing shoes for a profit of more than $5.6 million, and that Hawe Yue had sold more than 599,000 infringing pairs for a profit of approximately $372,000. Accordingly, pursuant to Section 289, Judge Bryan disgorged these amounts from the infringers and awarded them to Nike.

4. Federal Circuit Opinion. The Federal Circuit reversed Judge Bryan, holding that the limitation on the recovery of the patentee's "damages" in Section 287 applies to the disgorgement of the infringer's "profits" as well, even though the statutory section at issue refers only to "damages." The Federal Circuit remanded the case to the District Court for a determination of whether Nike complied with Section 287's marking requirements, and a commensurate recalculation of profits to be disgorged from the infringers.

Candidly conceding that its interpretation "departs from the plain words of the statute" (App. 6), the Federal Circuit, nonetheless, concluded that "[t]he statutory history establishes that the marking requirement [of Section 287] has always applied, and continues to apply, to both recovery of the infringer's profit under § 289, and recovery of damages, however measured, under § 284." App. 6. Despite the clarity of Section 287, the Federal Circuit surveyed legislative history, prior versions of the patent statutes, and case law decided years before enactment of the current patent statute. The

Court justified its abandonment of the plain text upon its characterization of the canons of statutory construction:

> Although a statute clear on its face does not warrant resort to history, inquiry is proper to determine whether ambiguity has invaded an apparently clear text.

App. 6.

In its analysis the Federal Circuit briefly acknowledged this Court's decision in *Aro* and the conclusion reached there that the term "damages" in Section 284 does *not* include an infringer's "profits." The Court, nonetheless, concluded that "damages" in Section 287 *does* include an infringer's "profits," justifying "the anomaly we today observe" as "a rare example wherein a term has a different scope in different provisions of a now-consolidated statute." App. 14, 17-18.

On March 25, 1998, Nike filed a Combined Petition for Rehearing and Suggestion for Rehearing In Banc. The Federal Circuit denied Nike's combined petition and suggestion for rehearing on May 7, 1998. App. 38.

5. Further Proceedings on Remand. On remand, the District Court concluded that Nike's marking of its patent number on its Air Mada Mid shoes did not satisfy Section 287's provisions, despite the fact that Nike reached "full marking" of its shoes by December 1994 (App. 40), and the infringers' first sales were not until several months later in April 1995. App. 3. Consistent with the Federal Circuit's interpretation that Section 287's limitation on "damages" also limits the disgorgement of an infringer's "profit" under Section 289, the District Court reduced Nike's recovery by $4.7 million, thus allowing the infringers to retain more than three-fourths of the profits they obtained from the violation of Nike's patent. App. 39.

On March 5, 1999, the Federal Circuit affirmed the District Court's new judgment without opinion. App. 43.

REASONS FOR GRANTING THE WRIT

This case presents a critically important issue of statutory construction under the nation's patent laws. The Federal Circuit's resolution of the question is blatantly erroneous and, in the Court's own words, leads to an admittedly "anomalous" result. App. 20; the issue is ripe for this Court's review; and the issue has enormous practical consequences for numerous American industries that depend on design protection from unscrupulous copyists.

I. The Federal Circuit's Decision Erroneously Abandons The Plain Language of Section 287, and the Well-Recognized Distinction Between "Damages" and "Profits."

The Federal Circuit incorrectly construed the meaning of Section 287. The Court candidly conceded that its interpretation "departs from the plain words of the statute." App. 5-6. None of the justifications offered by the Court for departing from the plain language is tenable. The Federal Circuit should have heeded this Court's admonition to lower courts that consider straying from the plain language: "[w]hen the words of a statute are unambiguous, then this first canon is also the last." *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 254 (1992). This Court should not let this example of judicial legislation stand.

A. The Plain Meaning Is Supported By This Court's Precedent, Which the Federal Circuit Failed to Consider or Reconcile.

The Federal Circuit attempted to justify its flight from the plain language by asserting that the case law at the time of the enactment supports its interpretation. In fact, however, the *relevant* case law at the time of the enactment of Section 287 strongly reinforces the distinction between "damages" and "profits" in the patent laws, and refutes the Federal Circuit's decision.

The supposed "great weight of authority" (App. 16) relied on by the Federal Circuit in support of its detour from the plain language of Section 287 is unavailing. Each of the cited appellate court cases *predated* the revision leading to the current design patent statute — Section 289. Specifically, in 1952, Congress eliminated from the then existing design patent statute (35 U.S.C. § 74 (1946)) the phrase "knowing that the same has been so applied." App. 70, 69. That is, every case was decided at a time when the precursor design patent statute, by its express terms, required knowledge of the patent. Any prior notice requirement under the design patent statute was eliminated by the amendment in the 1952 Act. By holding to the contrary — that notice is required to recover under Section 289 — the Federal Circuit turned on its head this plain Congressional expression that notice of the patent is irrelevant under the design patent statute.

The Federal Circuit ignored the relevant precedent — this Court's decisions concerning the long-standing distinction between "damages" and "profits" under the Patent Act. Significantly, this Court's discussion in *Duplate Corp. v. Triplex Safety Glass Co.*, 298 U.S. 448 (1936) of the differences between "damages" and "profits" in the patent laws was already standing precedent at the time Congress amended the patent laws in 1952. In *Duplate*, this Court explained that "in patent nomenclature what the infringer makes is 'profits,'

what the owner of the patent loses by such infringement is 'damages.'" *Id.* at 451. Not once did the Federal Circuit address *Duplate*.

So too was this Court's decision in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), brushed aside by the Federal Circuit. There, this Court revisited the "profits" vs. "damages" question, and reaffirmed the "important distinction" in the patent laws between "damages" and "profits." 377 U.S. at 505. This Court concluded that the word "damages" in Section 284 did *not* also include an infringer's "profits." *Id.* at 505-06. The dichotomy between the meaning of "damages" in Section 284 and the flatly contradictory meaning of "damages" ascribed below by the Federal Circuit in Section 287 did not concern the Federal Circuit. Rather, the Court simply highlighted its error by pointing out that its decision leads to "the anomaly we today observe, where the word 'damages' has different meanings in different provisions of Title 35." App. 14.

Notwithstanding the Federal Circuit's treatment of the issue, Congress had *Duplate* to consider when it removed the infringer's knowledge requirement from Section 289 in 1952, and when it *relaxed* the notice provisions of Section 287 at the same time.[3] Congress had both the *Duplate* and *Aro* decisions when it again amended Section 287 in 1988.[4] The existence of this Court's relevant precedent

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[3] "In 1952, Congress amended R.S. 4900 to become the present section 287(a), changing the language to make marking permissive rather than mandatory, so that a '[p]atentee . . . *may* give notice to the public' by the specified marking." *American Med. Sys. Inc. v. Med.. Eng'g Corp.*, 6 F.3d 1523, 1535 (Fed. Cir. 1993)(emphasis in original). The precursors to Section 287 made reference only to "damages" and *not* to "profits." App. 66, 67.

[4] In the 1988 amendment, Congress added subsection (b) to Section 287, relating to limitations on remedies for product by process patents. The amendment did not address limitations on remedies for design patents. App. 59.

concerning the meaning of "damages" in the Patent Act predating Congress' actions undoubtedly supports the plain meaning of Section 287 — the interpretation that the Federal Circuit rejected below. *See United States v. Wells*, 519 U.S. 482, 495 (1997) (Congress expects its statutes to be read in conformity with Supreme Court precedent).

Standing in contrast to the Federal Circuit, Judge Bryan relied on the historic differences between "damages" and "profits," and this Court's decision in *Aro*, in reaching his decision in the district court that Section 287 should be read literally. App. 31. Judge Bryan also discussed the "persuasive case" of *Churchward Int'l Steel Co. v. Bethlehem Steel Co.*, 262 F. 438 (E.D. Pa. 1919), *rev'd on other grounds*, 262 F. 361 (3d Cir. 1920), *cert. denied*, 255 U.S. 572 (1921). *Churchward* expresses one policy reason for applying the marking statute to limit recovery of a patentee's damages, but not to limit the disgorgement of an infringer's "profits":

> Damage implies hurt, and the one who is hurt knows it, and knows when, and usually how and by whom he is hurt. He may therefore well be required to give notice, and because otherwise an innocent user may be punished and be put to a loss. . . . The fact that an infringer is an innocent infringer without notice is a reason for relieving him from the payment of damages . . . . It is no reason for permitting him to retain profits which belong to another. The fact that he is innocent does not give him title to the property of another.

Churchward, 262 F. at 443.

This underlying restitutional purpose of the equitable "profits" remedy has been embraced by this Court, and discussed in contrast to the legal remedy of "damages" in various contexts. *See Tull v. United States*, 481 U.S. 412, 424 (1987) (Clean Water Act —

"An action for disgorgement of [ ] profits . . . is a remedy for restitution. . . . Restitution is limited to 'restoring the status quo and ordering the return of that which rightfully belongs to the purchaser or tenant.'"); *Feltner v. Columbia Pictures Television, Inc.*, 118 S. Ct. 1279, 1282, 1284-88 (1998) (Copyright Act — Remedy of statutory damages is more akin to damages at law, rather than an equitable disgorgement of profits, resulting in the right to a jury trial under the Seventh Amendment); *Curtis v. Loether*, 415 U.S. 189, 196-97 (1974) (Unfair housing provisions of Title VIII — Contrasting "damages" sought under Title VIII with other equitable monetary remedies).

In light of this Court's guiding precedent concerning the "important distinction" in the patent laws between "damages" and "profits," the Federal Circuit's justification for abandoning the plain language of Section 287 is unavailing. This Court, at a minimum, should review the Federal Circuit's decision to diverge from Congress' plain language. *See Connecticut Nat'l Bank*, 503 U.S. at 253-54 ("We have stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there.").

B. The Federal Circuit Erroneously Relied on Ambiguous Legislative History, Rather than the Plain Statutory Text.

The Federal Circuit's decision misapplied the controlling Supreme Court authorities on statutory construction. In so doing, the court formulated a way to inject uncertainty into a statute admittedly plain on its face:

> Although a statute clear on its face does not warrant resort to history, inquiry is proper to determine whether ambiguity has invaded an apparently clear

> text. *Cf. Mansell v. Mansell*, 490 U.S. 581, 592 (1989) (requiring "clear evidence that reading the language literally would thwart the obvious purposes of the Act"); *Trans Alaska Pipeline Rate Cases*, 436 U.S. 631, 643 (1978). Our inquiry into the parallel but separate evolutions of the marking statute and the remedies statutes has led us to an interpretation that departs from the plain words of the statute.

App. at 6. The Federal Circuit's analysis resulted in an improper and unnecessary foray into legislative history. The decision stands as a highly erroneous paradigm of statutory construction that this Court should correct.

Neither the *Mansell* nor *Trans Alaska* cases cited by the Federal Circuit support a survey of legislative history to "determine whether ambiguity has invaded an apparently clear text." The Federal Circuit's use of "*Cf*" as a signal in its citation to this authority confirms as much. Neither case is sufficiently analogous as to support the proposition cited. In fact, both *Mansell* and *Trans Alaska* interpret the statutes involved *according to their plain words*. This is so even though the literal language of the statutes at issue led to arguably harsh results. The remedy, said the Supreme Court in both cases relied on by the Federal Circuit, is for Congress to provide, not for the courts to legislate.

Rather than support the interpretive technique embraced by the Federal Circuit, Supreme Court precedent squarely rejects the approach to statutory interpretation adopted below. In *Ratzlaf v. United States*, this Court warned that "we do not resort to legislative history to cloud a statutory text that is clear." 510 U.S. 135, 147-48 (1994). It is hard to imagine a statement more at odds with the Federal Circuit's pronouncement below that "inquiry [into legislative history] is proper to determine whether ambiguity has invaded an apparently

clear text." App. 6. *See also United States v. Gonzalez*, 520 U.S. 1, 6 (1997) ("Given the straightforward statutory command, there is no reason to resort to legislative history. Indeed, far from clarifying the statute, the legislative history only muddies the waters.") (internal citation omitted).

Nor does correct application of the *Mansell* and *Trans Alaska* precedent support the decision below to ignore the plain language of Section 287. Both cases endorse an interpretive method that departs from the plain language of a statute *only if* there is "*clear evidence* that reading the language literally would thwart the obvious purposes of the Act." *Mansell*, 480 U.S. at 592 (emphasis added). Because the legislative history and Congressional purpose in revising the Patent Act is fraught with ambiguities, the Federal Circuit's forray from the plain language of the statute is unjustified, even under the very precedent it cites.

The confusing nature of the legislative history is exemplified by H.R. Rep. No. 1587. This one and a half page report was issued in 1946, and concerned the changes to Section 284 including whether an infringer's "profits" would be included in the statutory phrase "general damages." The Federal Circuit concluded that Report showed that Congress intended "general damages" to *include* an infringer's "profits." App. 12. Justice Brennan in *Aro*, however, reached the exact opposite conclusion when considering the identical Report. *Aro*, 377 U.S. at 505-506 ("The purpose of the change was precisely to eliminate the recovery of profits as such and allow recovery of damages only.").[5]

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[5] Given the murky legislative history, perhaps the Federal Circuit should have followed one author's sarcastic advice that "whenever the legislative history is ambiguous it is permissible to refer to the statute." Reed Dickerson, *The Interpretation and Application of Statutes*, 164 (1975).

Because the Congressional purpose in amending the Patent Laws in this case is far from clear, the Federal Circuit should have adopted the plain meaning of the statutory language. The Federal Circuit's failure to do so runs afoul of the very precedent of this Court cited below. *See Mansell*, 490 U.S. at 594 ("Given Congress' mixed purposes, the legislative history does not clearly support Mrs. Mansell's view that giving effect to the plain and precise language of the statute would thwart the obvious purposes of the Act."). The Federal Circuit's decision serves as a highly erroneous example of statutory construction under which courts can look outside plain language of a statute to find statutory terms that are non-existent. The decision warrants review by this Court. *See Commissioner of Internal Revenue v. Asphalt Prods. Co.*, 482 U.S. 117, 120 (1987) (granting certiorari because the appellate court holding "is in obvious conflict with the plain language of the statute.").

C. The Plain Meaning Is Supported By The Statutory Framework.

1. The Term "Damages" Should Be Consistently Interpreted Within the Act.

Congress codified Sections 284, 287 and 289 all under Chapter 29 ("Remedies For Infringement of Patent, and Other Actions") of the Patent Laws. In *Aro*, this Court concluded that "damages" in Section 284 did not include an infringer's "profits." To conclude that within the same Chapter, only three sections later at Section 287, Congress intended "damages" to have the *exact opposite* meaning would pervert the law. Yet, that is precisely what the Federal Circuit did below. Besides challenging common sense, that result is at odds with a fundamental canon of statutory construction recognized by this Court:

> The interrelationship and close proximity of these provisions of the statute presents a classic case for application of the "normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning."

Commissioner of Internal Revenue v. Lundy, 516 U.S. 235, 249-50 (1996) (holding that the term "claim" in Section 6512 of 26 U.S.C. had the same meaning as "claim" in Section 6511(a)).

2. Congress Clearly Distinguished Between "Damages" and "Profits" Within the Act.

In two sections of Title 35 Congress expressly distinguished between the "additional remedy" of an infringer's "profit" and a patentee's "damages." The *first* reference of the additional remedy is in Section 289 itself where Congress grants design patent owners the right to recover the "profit" of the infringer. No attempt is made to equate this remedy with "damages" within the Section. Rather, Congress expressly distinguished this "additional" remedy from other remedies such as damages, in the second paragraph of Section 289 where it clarifies that "[n]othing in this section shall prevent, lessen, or impeach any *other remedy* which an owner of an infringed patent has under the provisions of this title . . . ." (emphasis added).

Only seven years ago, in 1992, Congress again confirmed that it intentionally distinguished between "damages" and "profit" within the Patent Act. It added to Chapter 29 a new section to abrogate the States' Eleventh Amendment immunity from suit under the Patent Laws. Clarifying the potential extent of liability, Congress listed the remedies that could be obtained against a State:

> Such remedies include *damages*, interest, costs, and treble damages under section 284, attorney fees

> under section 285, and *the additional remedy for infringement of design patents under section 289.*

35 U.S.C. § 296(b) (emphasis added). App. 72. This most recent statement by Congress makes its intent to differentiate between "damages" and "profit" within the Act unmistakable, and further supports the plain and ordinary construction rejected by the Federal Circuit. *See BFP v. Resolution Trust Co.*, 511 U.S. 531, 537 (1994) ("[I]t is generally presumed that Congress acts intentionally and purposely when it includes particular language in one section of a statute but omits it in another.").

D. The Trademark Act's Sister Statute Confirms the Plain Meaning.

In 1946, not only did Congress amend the Patent Laws, it also turned its attention to the related trademark laws, now codified at Title 15. As remedies for trademark infringement, Congress provided for the recovery of both "defendant's profits" and "any damages sustained by the plaintiff." 15 U.S.C. § 1117 (1998). More significantly, Congress enacted a sister provision under the Lanham (Trademark) Act to the Section 287 notice provision under the Patent Act, that limits the remedies of a trademark owner.

At current Section 1111 of the Lanham Act, Congress stated the consequences to the owner of a registered trademark who did not mark its products with the registered trademark symbol ®:

> Notwithstanding the provisions of section 22 hereof, a registrant of a mark registered in the Patent Office, may give notice that his mark is registered by displaying with the mark the words "Registered in U. S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this

> Act by such a registrant failing to give such notice of registration, *no profits and no damages* shall be recovered under the provisions of this Act unless the defendant had actual notice of the registration.

15 U.S.C. § 1111 (1994) (emphasis added).[6] App. 73.

The explicit inclusion of both "profits" and "damages" in the Lanham Act marking statute unquestionably demonstrates what Congress intended in the parallel provision under the Patent Act, Section 287. If Congress meant to require marking of a patent number as a prerequisite to disgorgement of an infringer's profit, it would have done what it did do in the Lanham Act — make express reference to "profits." This contemporaneous statute confirms the natural reading of Section 287. It also sounds the death knell to the Federal Circuit's detour from the plain statutory language. *See United States v. Wells*, 519 U.S. at 492 (Relying on Congress' express inclusion of the term "materiality" in other statutes to confirm the "natural reading" of the statute at issue that did not include "materiality.").

II. The Issue Presented Is Ripe for This Court's Review.

A. The Federal Circuit's Decision Will be the Law of the Land Without Review by This Court.

Unlike most cases, there is no possibility that other courts of appeal will reach a different conlusion from the Federal Circuit on the issue presented. Pursuant to 28 U.S.C. § 1295(a)(1), the Federal Circuit has exclusive jurisdiction over appeals in all patent cases throughout the United States. There is no opportunity for the question

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[6] The text of the predecessor to Section 1111, passed by Congress in 1946, also expressly declared that "no profits and no damages shall be recovered" in a suit for infringement. 15 U.S.C. § 1111 (1946). App. 74.

to "percolate" among the other circuits. As in this case on remand, all district courts throughout the nation now are bound to follow the dictates of the Federal Circuit's decision below.[7] The nature of the Federal Circuit's exclusive review of all patent appeals makes its interpretation of Section 287 below a matter of special importance, and worthy of review by this Court. *See Cardinal Chem. Co. v. Morton Int'l Inc.*, 508 U.S. 83, 89 (1993)("Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation, the rule that it applied in this case . . . is a matter of special importance to the entire Nation" — granting certiorari).

B. The Federal Circuit's Decision Raises Important Questions About the Meaning and Scope of this Court's Related Decision in *Aro*.

In addition to departing from the plain meaning of Section 287, the Federal Circuit decision also departs from this Court's decision in *Aro Mfg. Co. v. Convertible Top Co.*, 377 U.S. 476 (1964) — the last time this Court addressed the "damages" available to an aggrieved patent owner under Title 35.[8] In light of the questions raised about *Aro* by the decision below, it is important for this Court to address the issue presented.

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[7] Indeed, before the Federal Circuit's decision, a second district court reached the same conclusion that Judge Bryan originally made concerning Section 287. *Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 1997 WL 83395, at *5-6 (S.D.N.Y. 1997) (concluding that Section 287 does not apply to limit disgorgement of an infringer's profits under Section 289).

[8] The only other Supreme Court decision regarding the remedies available under the modern Patent Laws is *General Motors Corp. v. Devex Corp.*, 461 U.S. 648 (1983). There, this Court held that prejudgment interest should normally be awarded to a successful patent owner under Section 284. *Id.* at 657.

In an opinion authored by Justice Brennan, this Court in *Aro* first decided the questions there at issue concerning liability for infringement under the Patent Laws. In the final portion of the *Aro* opinion, Section IV, Justice Brennan turned to the issue of the remedies available to the patent owner in the case although the issue had not been tried or argued below.[9] Specifically, the Court considered the meaning of the term "damages" in Section 284, to determine whether it permitted the recovery of the "profits" of the infringer. Justice Harlan did not join in the views expressed in Section IV because he considered the matters dealt with there "not ripe for decision," rendering that Section a plurality opinion. *Aro*, 377 U.S. at 502 n.18.

The Court addressed the 1946 Amendment to the Patent Laws and its effect on the remedies available. Contrasting the present text of Section 284 to the prior remedial statute,[10] the plurality stressed that Section 284 makes reference to only "damages." The Court concluded that the purpose of the change "was precisely to eliminate the recovery of profits as such and allow recovery of damages only." *Id.* By "allowing the recovery of 'damages' only," the congressional purpose had been carried out — the remedy of Section 284, permitting

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[9] Justice Brennan commented on the propriety of Section IV: "It is true that the lower courts have not yet expressly addressed themselves to the damages issue, and that the parties have not argued it here. Nevertheless . . . because expression of our views may obviate the need upon remand for lengthy proceedings before a master in this already over-long litigation, we deem it in the interest of efficient judicial administration to express those views at this time." *Aro*, 377 U.S. at 502.

[10] Prior to 1946, the statutory precursor to Section 284 read: "[U]pon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, *in addition to the profits to be accounted for by the defendant*, the damages the complainant has sustained thereby . . . ." R.S. § 4921 (emphasis added). App. 48.

the recovery of "damages," did not permit the recovery of an infringer's "profits." *Aro*, 377 U.S. at 512.

Since the 1946 Patent Act and the *Aro* decision, the vast majority of courts (including the Federal Circuit itself) have followed the plurality opinion. In his leading treatise on Patent Law, Professor Chisum lists lower court decisions concerning the award of an infringer's profit subsequent to *Aro*. 7 Donald S. Chisum, *Chisum on Patents* § 20.02[4][c] at 20-74, n.36 (1998). Nonetheless, reactions to the plurality's opinion in Section IV of *Aro* have been divided. At least one author argues that because Part IV of *Aro* was unnecessary for the decision of the case, it should be dismissed as "*ober dictum.*" Thomas J. Hoffmann, *Recovery in Patent Infringement Suits*, 11 IDEA 89, 104 (1967) ("Part IV should be given the weight accorded the minority opinion in a 5-4 decision."). Professor Chisum questions the "precedential force" of the Part IV analysis of *Aro*. Justice Brennan's statement that the Congressional purpose of the 1946 Act was "clear" and with "no doubt" also "weakens" the opinion according to Professor Chisum, because the plurality's analysis did not "[consider] the alternative interpretation supported by other portions of the legislative history . . . ." Chisum, *supra*, § 20.02[4][b] at 20-71.[11]

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[11] *Compare* Richard L. Stroup, *Patentee's Monetary Recovery From An Infringer*, 59 J. Pat. Off. Soc'y 362, 372-73 (1977) ("Since the *Aro* decision . . . the courts have not agreed as to the proper use of an infringer's profits in the determination of the damage remedy."); Kenneth W. Dam, *The Economic Underpinnings of Patent Law*, 23 J. Legal Stud. 247, 256 (1994) ("No matter that neither the language of the statute nor the legislative history required this change in the law. As in other cases we shall come to, the Supreme Court found a way to limit the strength of the patent right by limiting its value in infringement litigation."); *and* Mohamed Yusuf M. Mohamed, *Unjust Enrichment for Patent Infringement: a Novel Idea?*, 4 J. Intell. Prop. L.123, 156 (1996) ("Congress did not intend this result. In fact, the very House Report that the Supreme Court cited did not mention an intent to eliminate recovery of the defendant's profits."); *with*

Whether it should be characterized as *dictum*, or not, *Aro's* discussion of the term "damages" in Section 284 is intimately intertwined with the Federal Circuit's decision below concerning the meaning of the term "damages" in Section 287. Indeed, the Federal Circuit specifically acknowledged the *Aro* decision, but came to a conclusion at odds with the plurality opinion, causing what it characterized as "the anomaly we today observe" — "a rare example wherein a term has a different scope in different provisions of a now-consolidated statute." App. 17-18.

This case presents an opportunity for this Court to speak as a majority and remove any ambiguity resulting from the plurality opinion in *Aro*. An opinion from this Court giving clear guidance on the meaning of "damages" is warranted not only by the commentary cited above — a definitive statement from this Court will also likely prevent such "anomalies" as the Federal Circuit decision below from recurring in the future.

III. The Federal Circuit's Ruling Will Have A Significant Adverse Impact On Industries That Rely on Protection of Their Designs From "Knock-Offs."

Intellectual property piracy is not a new problem. Over ten years ago, in 1987, the International Trade Commission estimated that U.S. business lost between $8 billion and $20 billion a year to look-alikes. Todd J. Gilman, *Attorney Puts Foot Down About Sneaker Patents; Avia Takes Shoe Pirates to Court to Protect Design*, Wash. Post, July 20, 1987, at F03. More recently, during its passage of the

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Daniel C. Munson, *The Equitable Profits and Reasonable Royalty Remedies--an Economic Connection*, 76 J. Pat. & Trademark Off. Soc'y 887, 888 (1994) ("An award based on profits made by the defendant seems precluded by the statutory language. The statutory language speaks only of damages.")

Anticountefieting Consumer Protection Act of 1996, Congress elaborated on the impact of product piracy on society:

> Today, counterfeit products cost American businesses an estimated $200 billion each year. Counterfeiting is a drain on the American economy, on the Federal treasury, and costs American jobs.

S. Rep. No. 104-177, at 1 (1995).

Injunctions, often granted or even voluntarily agreed to by putative defendants, do little to prevent future infringement of other products because the profits obtained remain in the hands of the infringer. Often the only effective deterrent to the companies responsible for the piracy is to disgorge the ill-gotten profits made from the infringing sales. In fact, because the infringing products are often identical copies of the patented design, infringement is often uncontested, leaving only the remedy to be determined.

By requiring patent owners to mark their products with a patent number as a condition precedent to disgorging an infringer's profit, the desired deterrent effect on "knock-offs" will be lost. The reality of many consumer product markets, such as footwear, fashion, and electronics,[12] is that by the time a design patent finally issues, most of the patentee's products have already been shipped (without patent numbers). As observed by Michael W. Blommer, the former Executive Director of the American Intellectual Property Law Association:

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[12] According to the Commerce Department, since 1977, Nike has obtained the fourth most design patents (666) of any company. The other top ten companies are Sharp (927), Canon (843), Motorola (737), Matsushita Electric (Panasonic) (646), IBM (628), Sony (628), Dart Industries (578), Goodyear (557) and Toshiba (557). U.S. Patent and Trademark Office, *Design Patents, January 1977 -- December 1997: A Technology Assessment and Forecast Report*, at B-1, April 1998 [hereinafter *Design Patent Report*].

> In footwear and fashion, items go out of style faster than patents get granted . . . In the area of designs, sometimes the market's passed you by by the time the patent issues. Manufacturers like Reebok [and Nike], they're constantly changing the styles of their shoes. They're going to start selling their shoes while the patent is pending. The knock-off artists are in and out of the market in a year or two.

Gilman, *supra*, at F03.

The data sustain Mr. Blommer's statements even today. According to the Commerce Department, the average time between filing and issuance of a design patent is about 20 months. *Design Patent Report*, *supra*, at 1. In an effort to enhance the protection of its shoe designs, Nike has instituted procedures geared to obtain expedited design patents from the Patent Office. As the Federal Circuit noted in the opinion below, Nike was successful with the design patent at issue — securing its issuance from the Patent Office in slightly over nine months. App. 2. The prompt receipt and enforcement of Nike's design patent led to the initial record judgment below of $6 million against Respondents.

Nike also marked a significant number of its patented shoes with its patent number after issuance of the patent.[13] Nike reached "full marking" of its shoes by December 1994 (App. 40), and the infringers' first sales were not until several months later in April 1995. App. 3. From Nike's perspective, this case likely exemplifies the highest percentage of marking that Nike could reasonably accomplish. Yet, on remand from the Federal Circuit's decision, the

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[13] Marking is not possible until the patent issues — when the patentee learns its patent number from the Patent Office. Indeed, "false marking" is punishable by fine under the Patent Act. 35 U.S.C. § 292.

district court below concluded that Nike had not satisfactorily marked its shoes. In accordance with the Federal Circuit's opinion, the court reduced Nike's judgment to approximately $1.4 million.

If allowed to stand, the decision below limiting a design patent owner to a recovery measured by the infringer's profit only *after* the patent owner fully complies with the marking statute will seriously limit the value of design patents, and effectively eliminate the deterrent effect that enforcement actions have on copyists. Because of the adverse impact the Federal Circuit's decision will have on American industries attempting to ebb the flow of "knock-offs" into the stream of commerce, this Court should grant certiorari.

CONCLUSION

For the reasons set forth above, the petition for a writ of certiorari should be granted to review the decision of the Court of Appeals of the Federal Circuit.

Respectfully submitted,

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